

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 676 - HB 880**

March 29, 2019

**SUMMARY OF BILL:** Enacts the *Grow Your Own Teacher Act*. Requires the Tennessee Student Assistance Corporation (TSAC) to establish the Grow Your Own Teacher loan-scholarship program for economically disadvantaged high school students in order to inspire those students to become teachers at high-needs schools in the local education agencies (LEAs) from which the students graduate. Requires that recipients, who become public school teachers in a school as required by the provision in the legislation, receive forgiveness of the loan-scholarship after four years of teaching service, provided that certain requirements are met.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures –**

**\$262,500/FY19-20/Lottery for Education Account**  
**\$525,000/FY20-21/Lottery for Education Account**  
**\$787,500/FY21-22/Lottery for Education Account**  
**\$870,000 FY22-23 and subsequent year/  
Lottery for Education Account**

**Other Fiscal Impact – Funding of \$262,500 in FY19-20, \$525,000 in FY20-21, \$787,500 in FY21-22, and recurring funding of \$870,000 in FY22-23 and subsequent years will not be available for transfer from the Lottery for Education Account to the Tennessee Promise Special Reserve Account.**

**Any increase in state revenue to the Lottery for Education Account for repayment of scholarship loans beginning in FY23-24 is dependent on the number of students failing to comply with requirements; the precise amounts of funds repaid cannot be specifically determined. However, any such repayment of funds is not expected to cover the outlay of funds awarded.**

**Assumptions:**

- The legislation requires each loan-scholarship to be in the amount of \$7,500 per year for up to four years and that each recipient of the loan will need to complete certain requirements in order to receive forgiveness for all four years of each loan-scholarship.
- It is assumed that loan-scholarships will be funded with net lottery proceeds from the Lottery for Education Account (LFEA).

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- The provisions of this legislation require TSAC to only select 35 students per year for the loan-scholarship and limits the total number of recipients to 116 students at any one time.
- The total number of recipients in each year will be as follows: 35 in FY19-20; 70 in FY20-21; 105 in FY21-22; 105; and 116 in FY22-23 and subsequent years.
- The increase in state expenditures from the LFEA is estimated to be \$262,500 (35 students x \$7,500 loan-scholarship amount) in FY19-20; \$525,000 (70 students x \$7,500 loan-scholarship amount) in FY20-21; and \$787,500 (105 students x \$7,500 loan-scholarship amount) in FY21-22.
- The recurring increase in state expenditures from the LFEA is estimated to be \$870,500 (116 students x \$7,500 loan-scholarship amount) in FY22-23 and in subsequent years.
- The legislation requires recipients of the loan-scholarship to make payments to TSAC at an interest rate of nine percent from the date of the initial award if the student is unable to meet the requirements specified for receipt of the award.
- Due to the small number of awards available, it is reasonably assumed that students awarded the scholarship-loans will be thoroughly vetted and monitored to ensure compliance with the requirements. However, the number of students that will ultimately fail to comply cannot be reasonably determined.
- Beginning in FY23-24, the LFEA could begin to see repayment of some loan-scholarships from individuals that do fail to comply with the provisions of the program; however, it is assumed that the majority of participants will comply with all provisions in order to avoid repayment of the loan principal and any interest that would be compounded at a nine percent rate. Therefore, any loan repayments are not expected to cover the outlay of funds awarded.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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